



**FINANSTILSYNET**

THE FINANCIAL SUPERVISORY  
AUTHORITY OF NORWAY

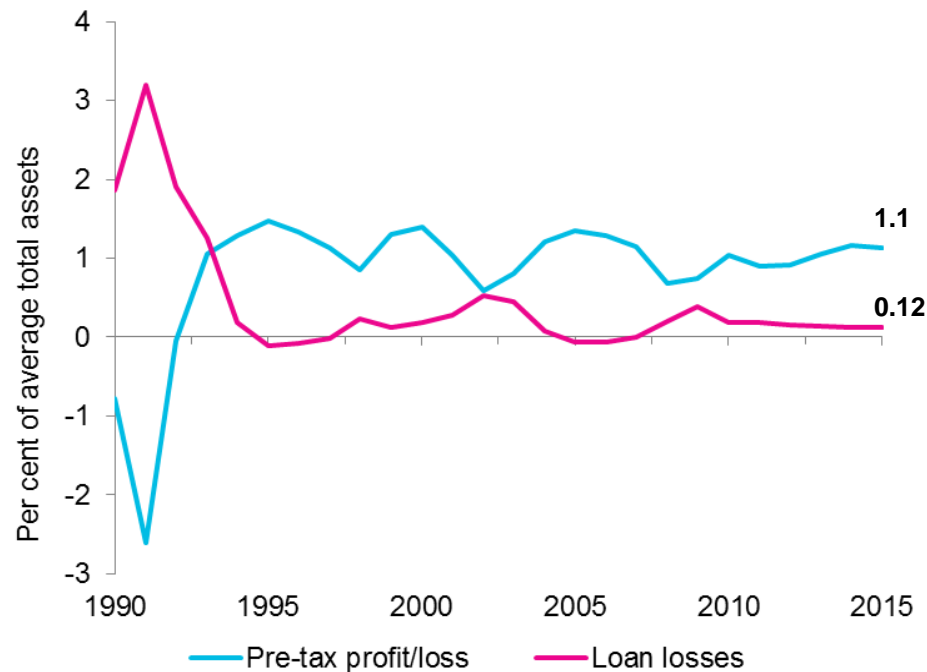
# Norwegian Regulatory Update

London 10 March 2016

Director General Morten Baltzersen

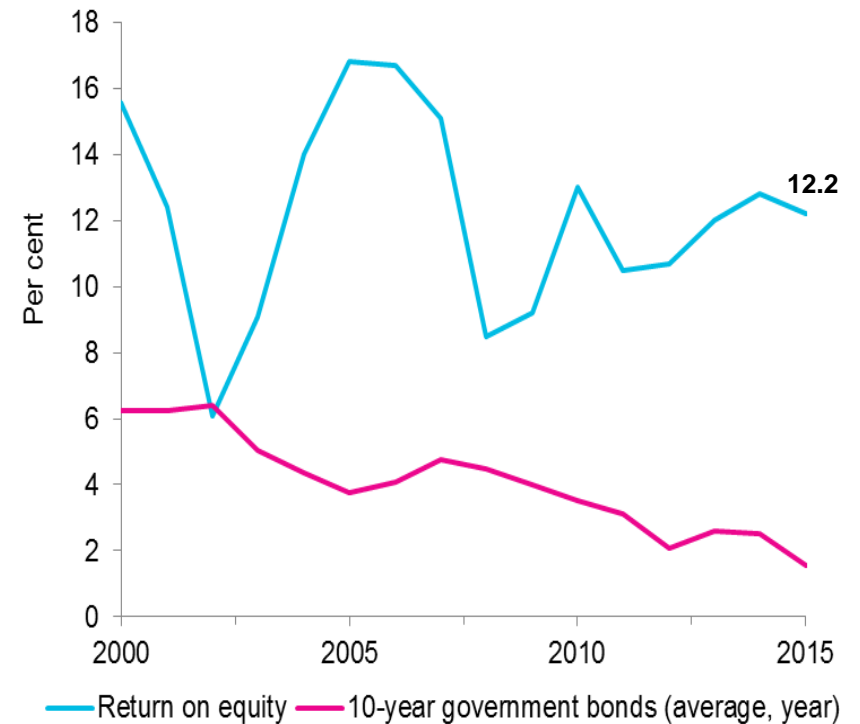
# Profits, loan losses and return on equity

## Profits and loan losses



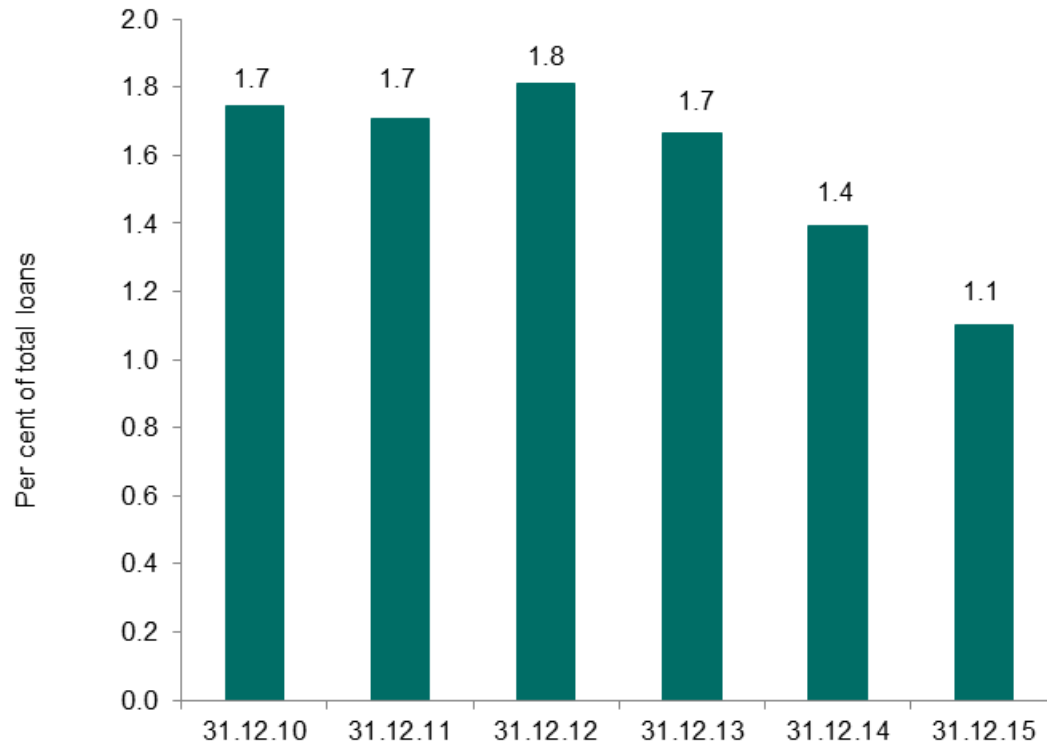
Source: Finanstilsynet

## Return on equity



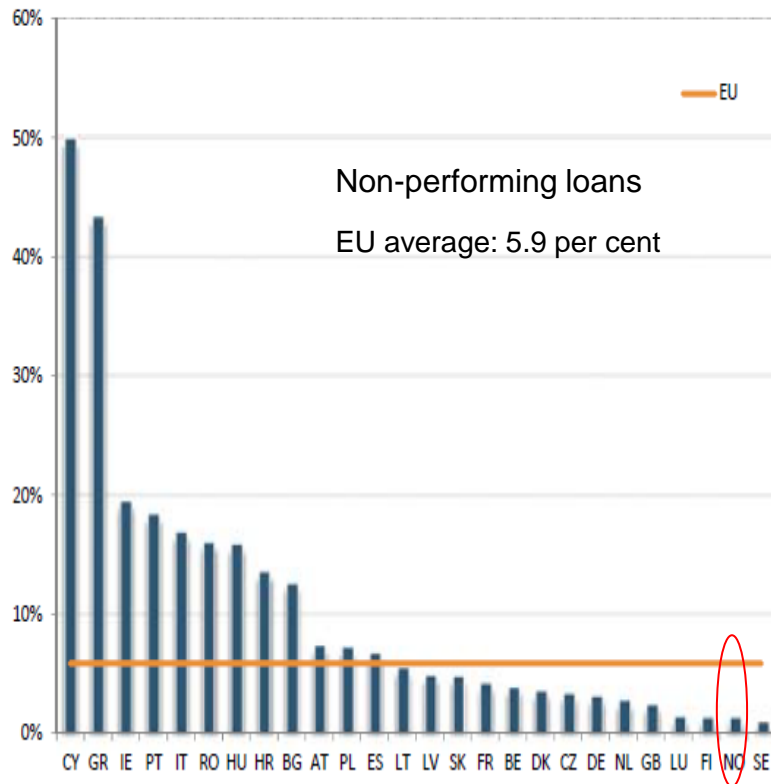
Source: Finanstilsynet

# Non-performing loans in Norwegian banks

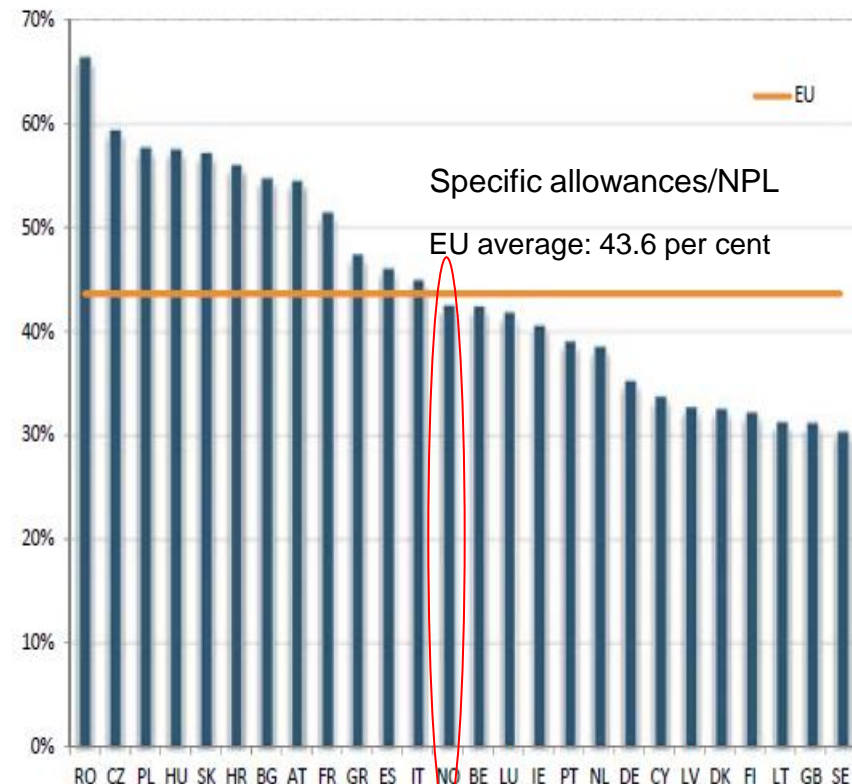


# Non-performing loans and coverage ratio (EBA Risk Dashboard Q4 2015)

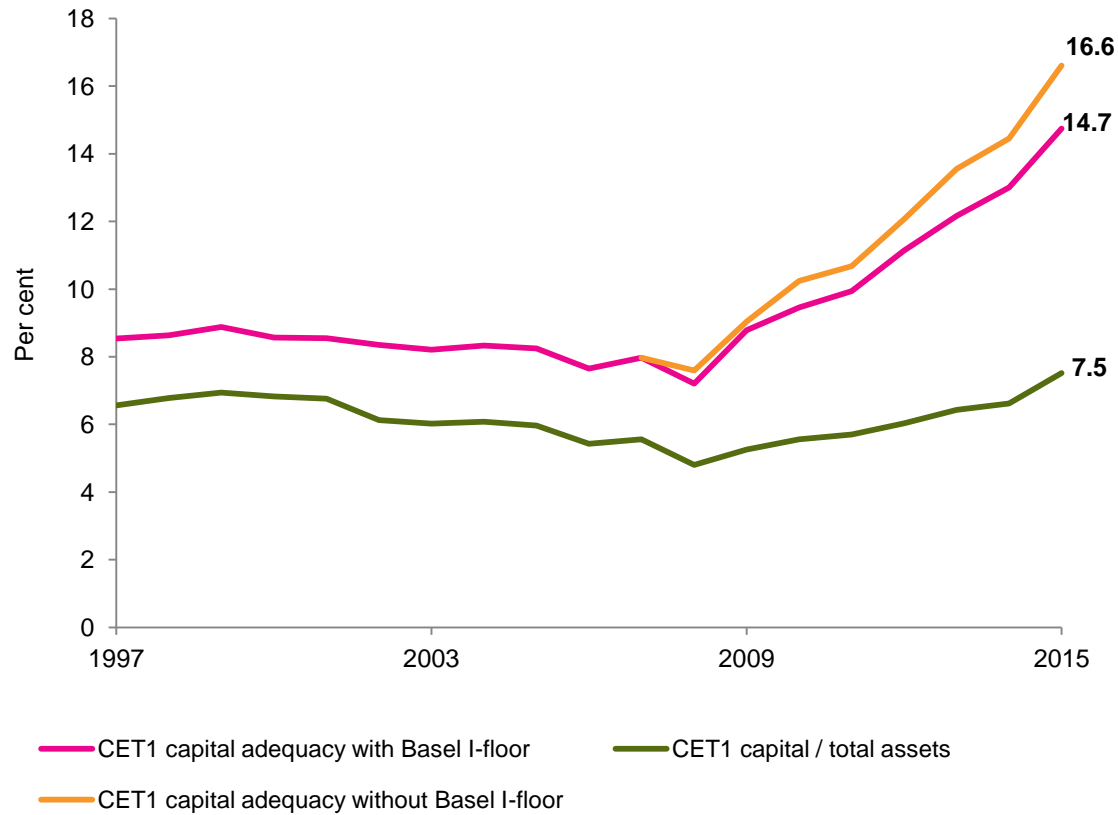
Country dispersion (as of Sep. 2015)



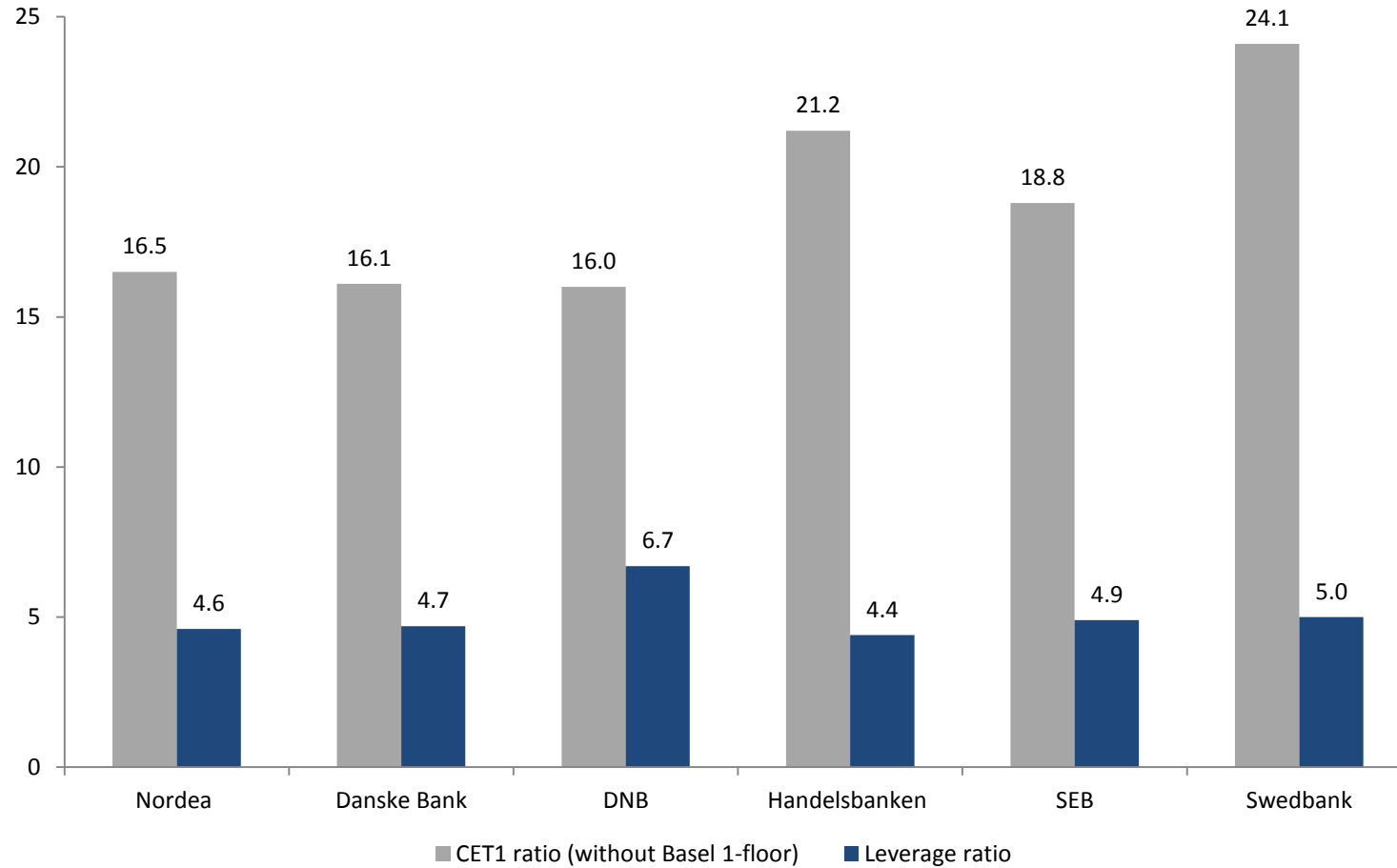
Country dispersion (as of Sep. 2015)



# CET1 ratio in Norwegian banks



# Leverage ratio – Nordic Banks



Source: Annual reports

# Regulatory regime

## Norwegian laws and regulations follow the EU-regime

### CRD IV

- **Capital adequacy**
- **Liquidity requirements (LCR)**
- **Leverage ratio**

### BRRD

### Solvency II (Insurance)

### Norwegian implementation

Implemented. Buffer requirements phased in 2013-2016.

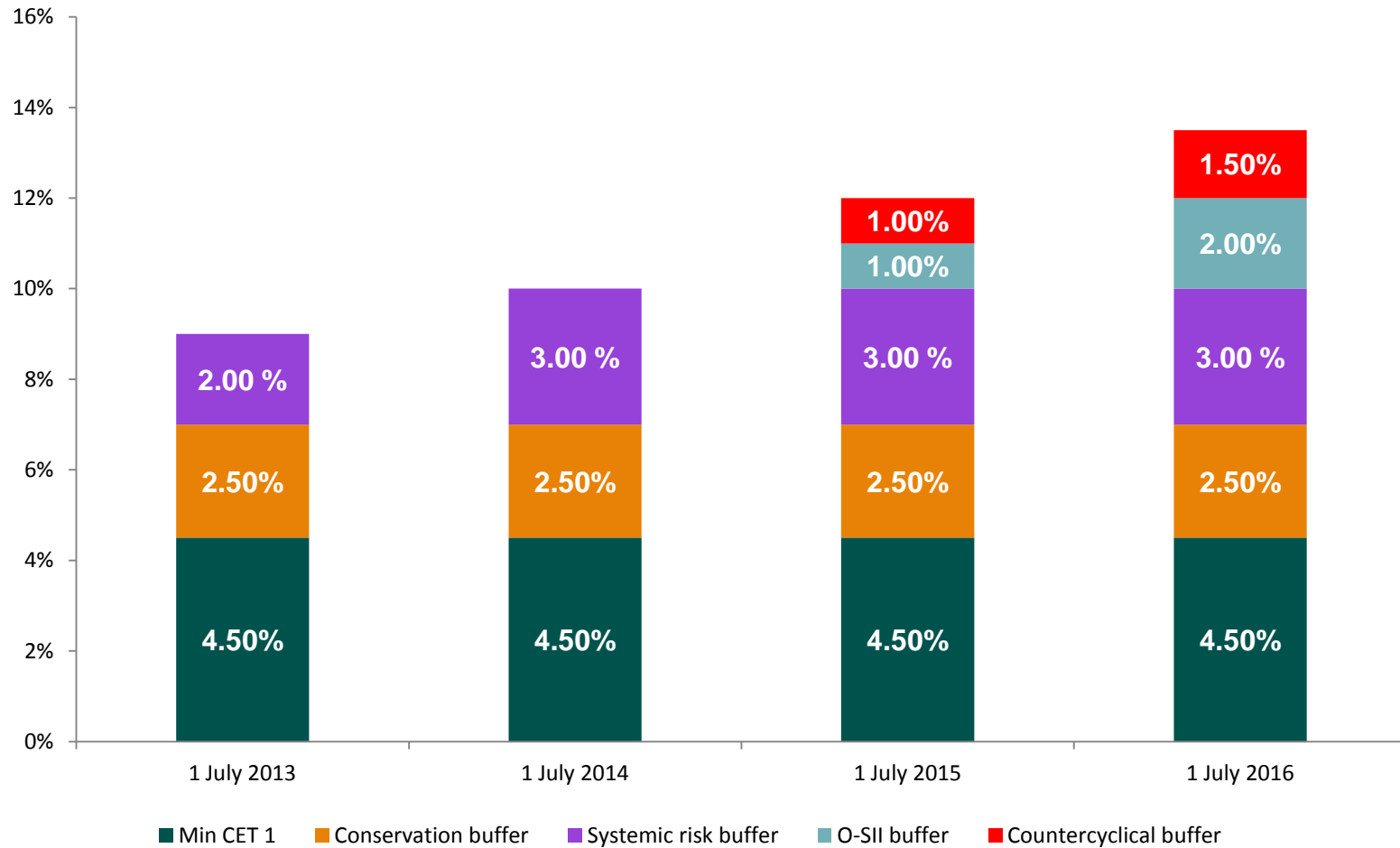
Implemented: 100 pct. LCR for systemically important institutions as of 1 January 2016, 70 pct. LCR for others

MoF asked FSA to put forward a draft on national regulations in 2016.

Implementation prepared by the Banking Law Commission. Report expected in 2016.

Implemented. As of 1 January 2016, transitional rules (16 Y) for life insurers

# CET1 requirements (Pillar 1)





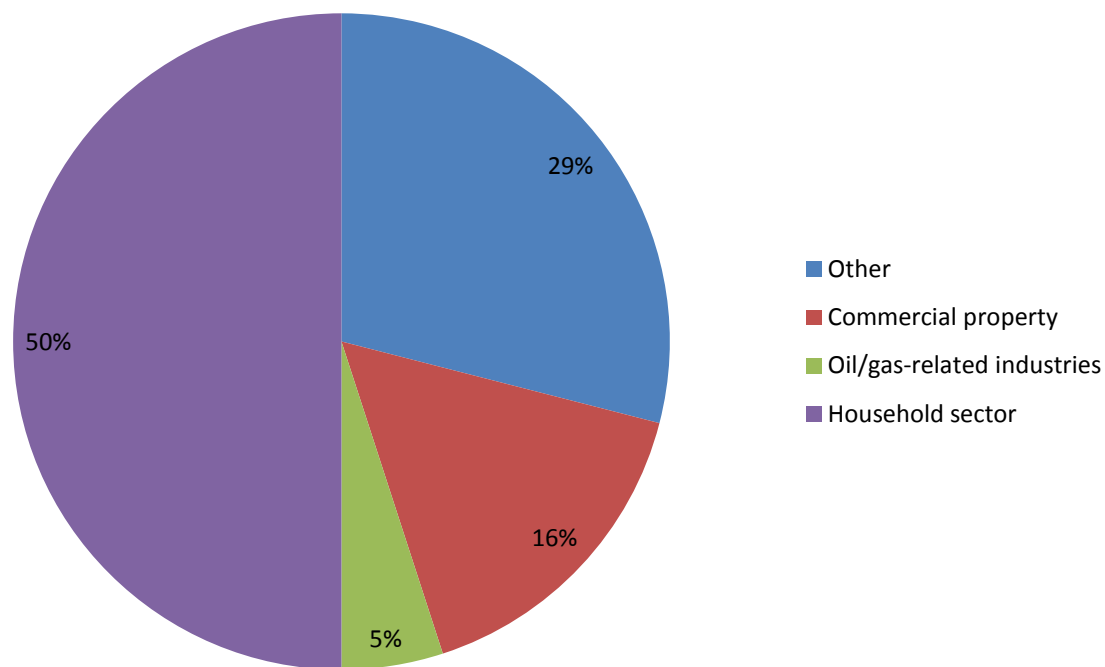
# Pillar 2

- EBA published a guideline (Dec. 2014) with an aim to harmonise practices. Finanstilsynet communicated its intention to comply.
- Finanstilsynet is making some adjustments to its SREP methodology and practices. Main principles are described in circular 9/2015: “*Finanstilsynet's methodologies for assessing risk and capital needs*”. Methodologies are about to be updated.
- Pillar 2 must be covered by common equity Tier 1 capital.

# Pillar 2 ctd.

- **Letter from MOF January 2016:**
  - **Transparency and disclosure**  
Pillar 2 requirements should be disclosed
  - **Stacking order/MDA restrictions**  
Pillar 2 requirements shall not be taken into account when calculating automatic MDA restrictions, not even when the pillar 2 requirement is formalised by an order

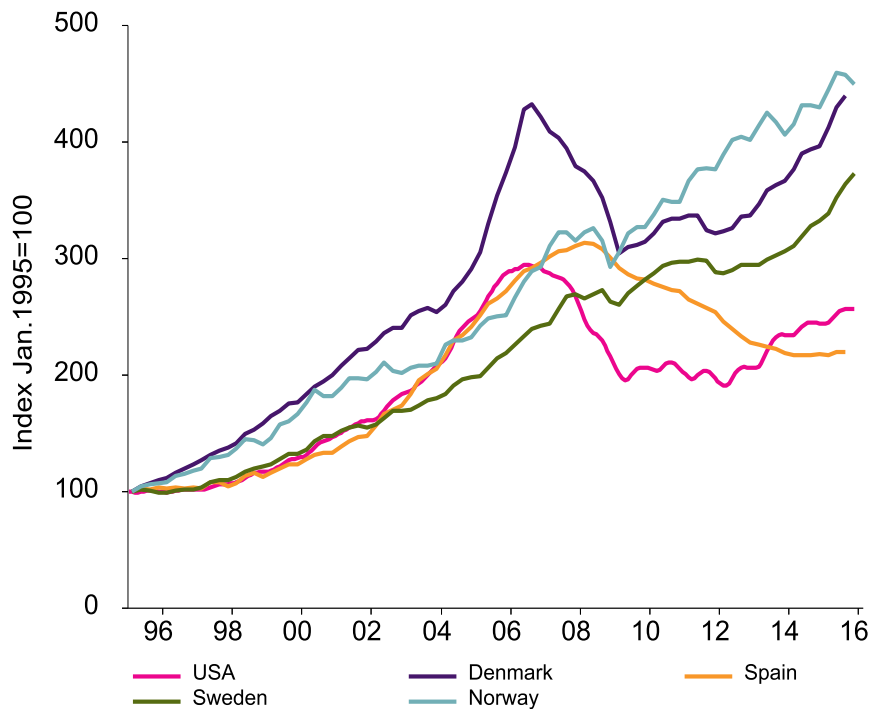
# Credit exposures of Norwegian banks\*



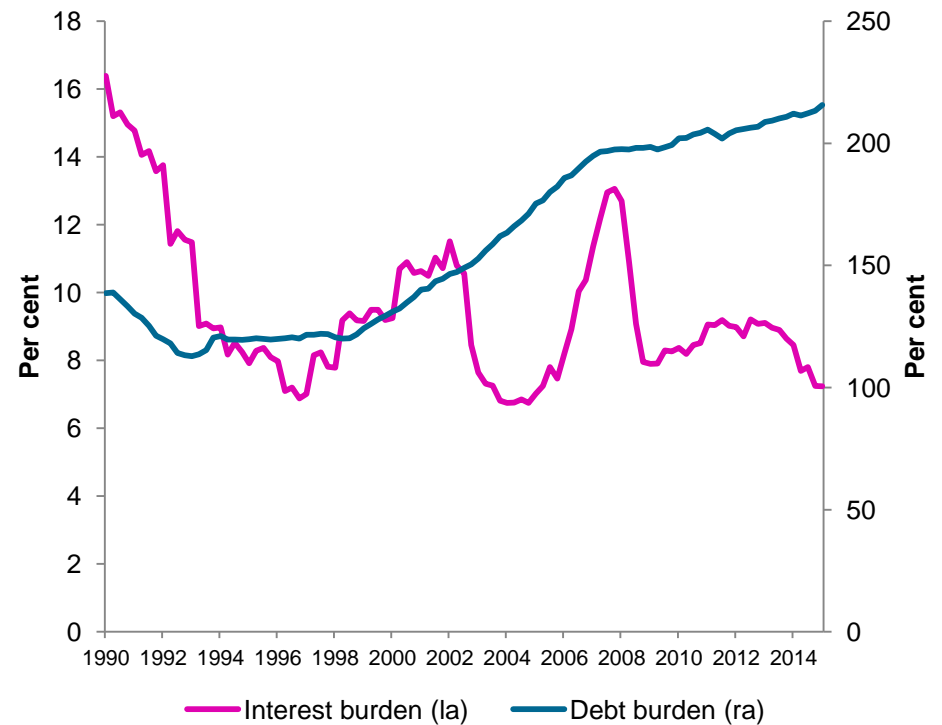
\*16 largest banks

# House prices and household debt

House prices



Household debt



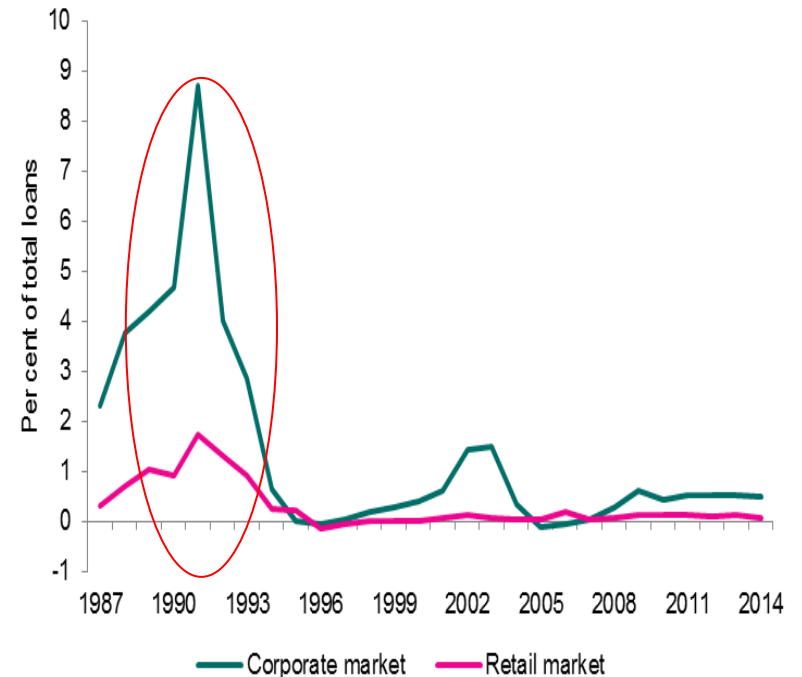
# Business cycle and bank losses

Growth in GDP and private consumption, and total bank losses during banking crisis



Sources: Statistics Norway and Finanstilsynet

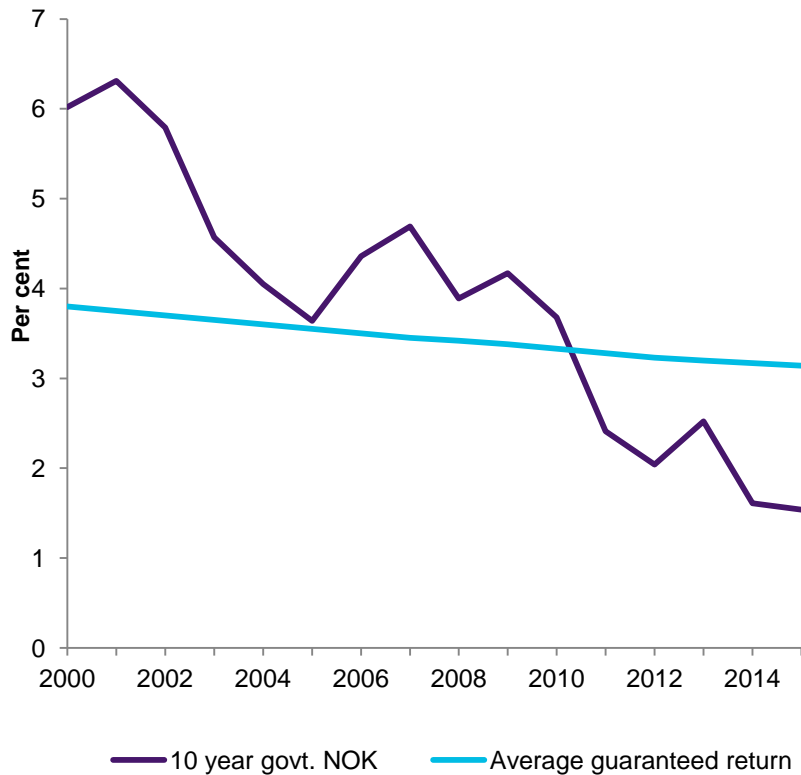
Bank losses in corporate and retail market, per cent of total loans



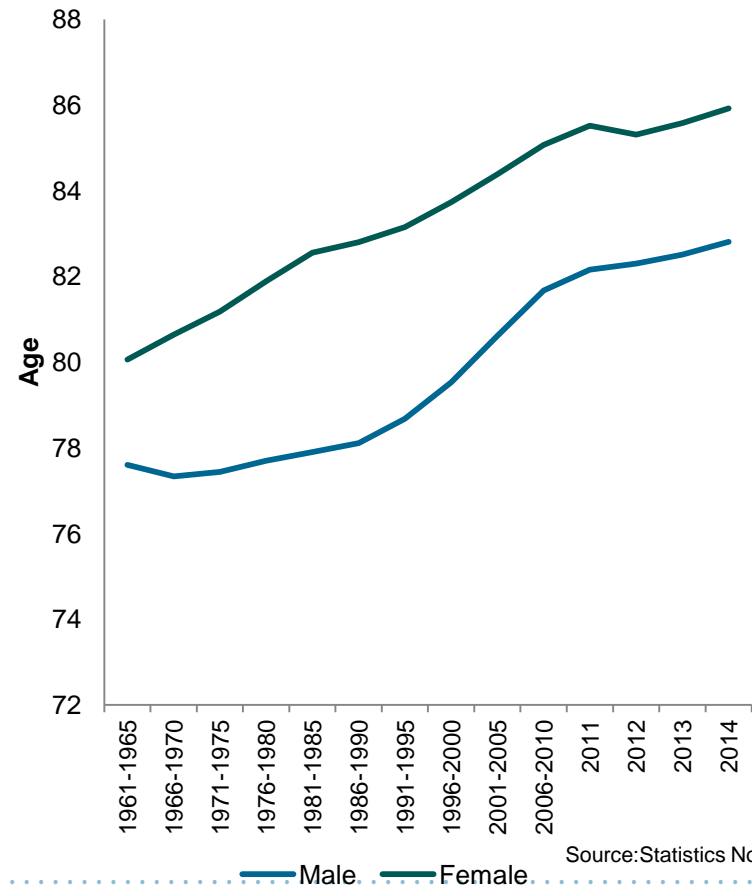
Source: Finanstilsynet

# Lower interest rates and increased life expectancy – life insurance

Guaranteed return and interest rate on 10Y Gov



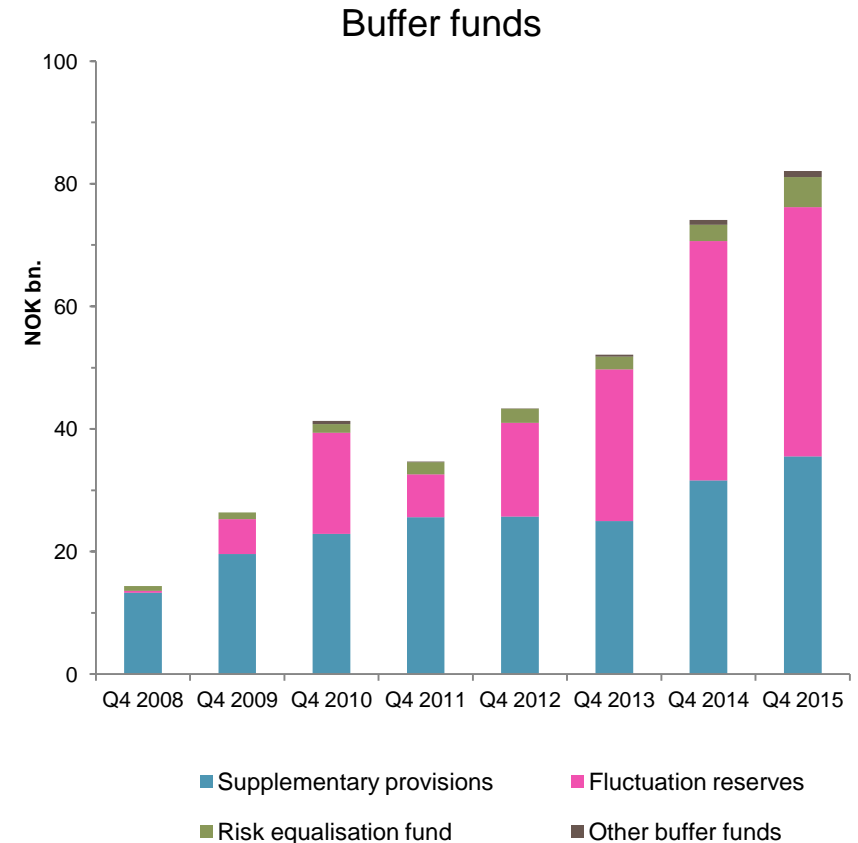
Life expectancy at age 60



Source: Statistics Norway

# Life insurance ctd.

- Strengthened reserves
- Increased buffers
- Reduced costs
- More savings/unit-linked products



# Summary

## Banks

- Profitable
- Low losses/NPL
- Low costs
- Strengthened capital position

## Oil price plunge

- FSA expects impairments on direct oil-related exposures
- Ripple effects so far limited
- Downside risk: Broad economic setback

## Insurance

- Exposed to low interest rates and increased longevity
- Reduced costs
- Increased buffers